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Report Highlights:

China's MY 2007/08 raisin production is forecast at 145,000 MT, a 16-percent increase from 2006/07 because of favorable weather, increased acreage, and higher input use. MY 2006/07 consumption has been revised up 1,641 MT to 113,641 MT. Raisin imports are also forecast up at 12,500 MT, a two-percent increase over MY 2006/07. U.S. raisins continue to dominate the market, and are mostly packaged or processed for re-export to Japan.

Includes PSD Changes: Yes
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Production

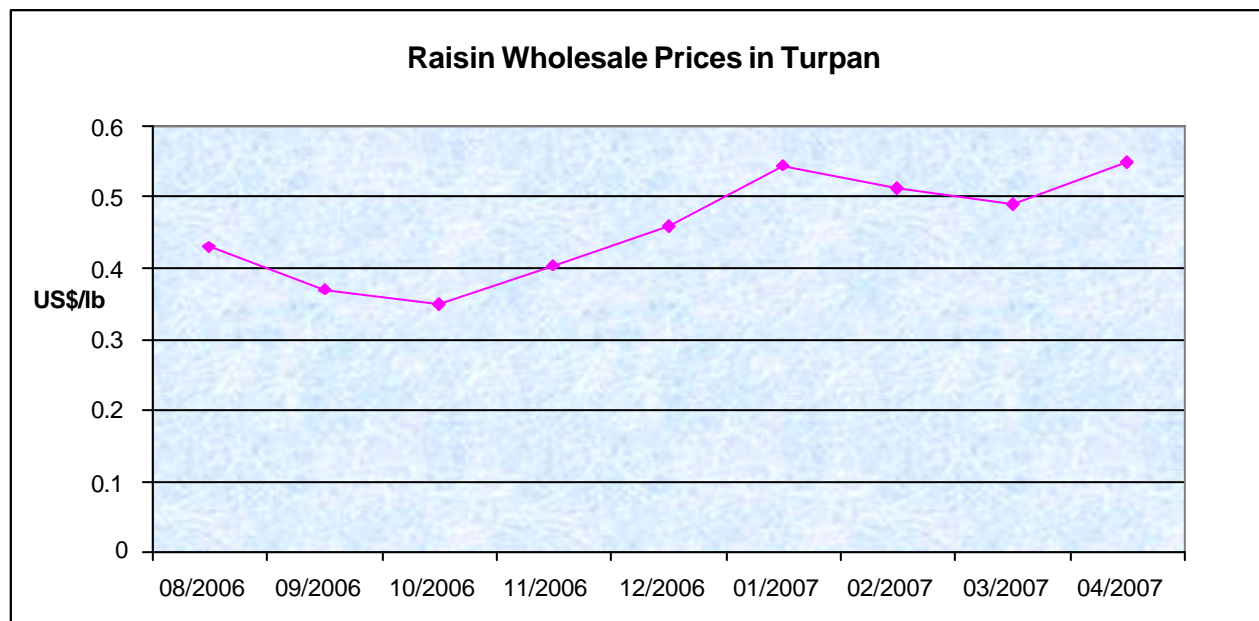
Increases in Turpan, Xinjiang Province

Post forecasts China's marketing year (MY) 2007/08 (August-July) raisin production at 145,000 tons (MT), a 16-percent increase from MY 2006/07. Four factors contribute to the increase: favorable weather in China's major raisin producing area, fewer pest and disease occurrences, more input use, and expanded planting area. According to the local weather department in China's largest raisin producing area of Turpan, Xinjiang Province, 2007 has been an excellent year for raisin production. Warmer temperatures in May and early June aided plant flowering, pollination, and grape growing. Higher temperatures, sufficient sunlight, and less rain on average in August and September contributed to grape maturity, sugar accumulation, and aided the grape drying process. Turpan government sources also report lower than normal pest and disease occurrences in 2007. They cite favorable weather and accurate, advanced weather forecasts as the primary reasons for the decline in pests and diseases. Good returns coupled with field management training and small loans from local governments have also encouraged farmers to increase input use. As a result, farmers improved field management techniques and applied fertilizer more frequently in 2007 to help increase yields. China's MY 2007/08 raisin grape acreage is forecast at 28,670 hectares, up seven percent from the previous year mainly because of the recent good returns. MY 2007/08 fruit bearing area is also expected to rise as the MY 2003/04 expansions begin bearing fruit.

Turpan is the largest raisin producing area in China, accounting for more than 80 percent of China's total raisin production. About 85 percent of Turpan's production is made up of green raisins that are air-dried. The fresh grapes usually mature in July, but are not harvested until August to allow the grapes to increase in sugar content. After harvest, fresh grapes are hung on the vine in special drying houses. Grapes take about 40 days to dry into raisins. The peak season for Turpan's raisin trade is late September through November.

Raisins are available year round in the Chinese market, but at varying prices. Figure 1 shows raisin wholesale prices in the Turpan Shengda Raisin Wholesale Market, the largest raisin wholesale market, with annual raisin sales of 60,000 MT. For more information on China's raisin production and distribution, please refer to [GAIN CH6093](#).

Figure 1. Turpan Raisin Wholesale Prices



Source: Ministry of Agriculture, China
Trade

U.S. Raisins Dominate Imports, Mostly for Re-export to Japan

The United States dominates China's raisin import market, accounting for about 90 percent of China's total imports. In MY 2006/07, China imported a total of 12,262 MT of raisins, 11,072 MT from the United States. Imports from Turkey (935 MT in MY 2006/07) and South Africa (160 MT in MY 2006/07) account for the remaining 10 percent of the market.

Post forecasts a slight increase to 12,500 MT in China's MY 2007/08 raisin imports, up two percent from 2006/07, driven by strong demand for re-exports to Japan. Japan is the largest buyer of U.S. raisins, accounting for 16 percent of U.S. worldwide exports in MY 2006/07, and U.S. raisins continue to enjoy a good reputation in the Japanese market. Many Japanese raisin traders contract with Chinese processors in the duty free zones of Qingdao and Tianjin to re-process U.S. raisins. China's labor, packaging, and land expenses are much lower than in both the United States and Japan, so traders capitalize on this opportunity to decrease costs. Post visited a Chinese processor located in Qingdao, Shandong Province who imports raisins from the United States in bulk. After freezing (to kill any pests or pests eggs), the raisins are graded by hand, packaged, and re-exported to Japan. The quantity, price, and U.S. suppliers are determined by Japanese importers. The Chinese company is responsible only for re-processing and collects only processing charges from the Japanese importers.

Industry sources indicate that very few Chinese-grown raisins are exported to Japan because of high import hygiene requirements and the Japanese consumer preference for U.S. raisins. Despite their higher price, Japanese consumers will pay for raisins of U.S. origin. The import duty is listed below:

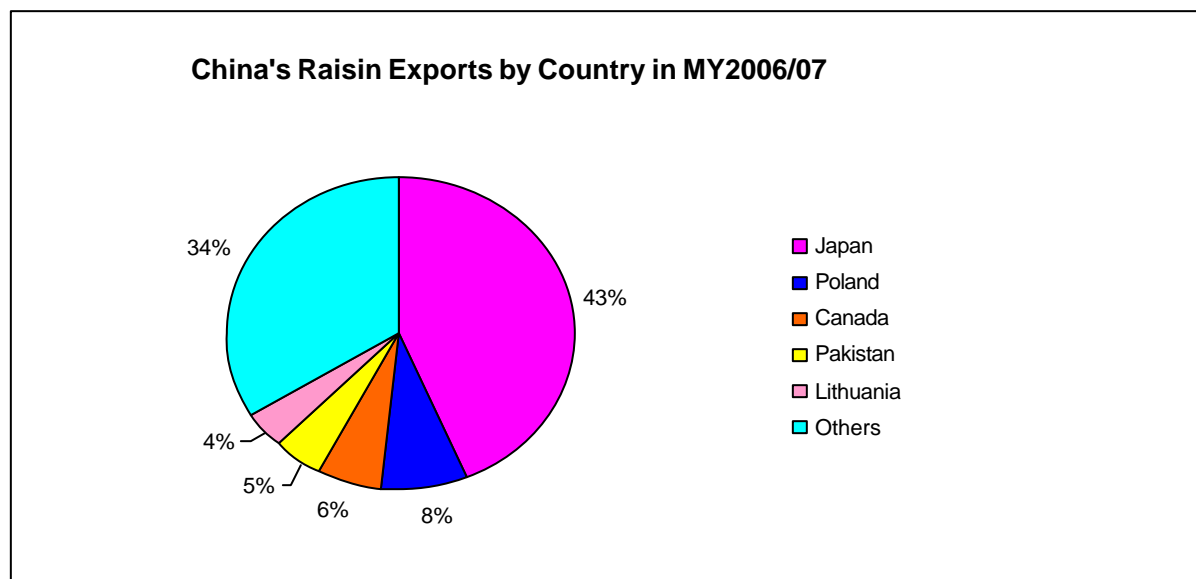
	H.S. Code	Imp. Duty (%)		VAT (%)		Rebate (%)	
		2006	2007	2006	2007	2006	2007
Raisin	08062000	10	10	13	13	5	5

Source: China Customs Data

Exports Continue to Increase

The MY 2006/07 export estimate is revised up to 23,621 MT, a five-percent increase over Post's previous estimate. MY 2007/08 raisin exports are forecast to reach 26,500 MT, a 12-percent increase from the previous year. Both increases are driven by strong international market demand and the decline of production in Turkey. Chinese media recently reported Turkey's 2007 raisin production will decrease 15-20 percent because of continued high temperatures and a severe drought.

Japan is China's largest raisin export market because of re-processing and transshipment of U.S. raisins -- however, the overall share is declining. In MY 2004/05, 75 percent of China's total raisin exports were shipped to Japan, but declined to 50 percent of total raisin exports in MY 2005/06 and 43 percent in MY 2006/07. Other emerging markets for Chinese raisins are Germany, Poland, and Canada, all because of competitive pricing.

Figure 2. China's Raisin Exports by Country

Consumption and Marketing

Steady Growth of Dried Fruit Consumption

While there are no official statistics on dried fruit consumption in China, industry sources indicate a steady increase across China, based on the increasing number of new food varieties with dried or preserved fruits as ingredients available in the retail market. The majority of dried fruit products are made with domestically produced fruit ranging from deciduous and tree fruit, to citrus and tropical fruit, but limited varieties are available. Dried raisins, plums, and tropical fruits (mango and pineapple) have long been imported into China, albeit in limited quantities and mostly in affluent, urban areas.

Although only entering the market two or three years ago, dried cranberries and blueberries represent a small but increasing share of dried fruit consumption, because of effective promotion efforts. In recent years, dried tropical fruits from Southeast Asian countries have also become popular, stimulating the processing of domestic sub-tropical fruits in south China.

Consumer preference for dried fruit varies in each region. In north China, consumers tend to prefer sugar-seasoned fruits (apple, pear, apricot), while consumers in south China prefer dried plums, or lemon and small citrus fruits preserved with a mix of sugar, salt, and herbs. These preserved citrus fruits have a long history in south China and are believed to possess certain health functions. Consumer preference for raisins, however, seems to be universal throughout the country.

Emerging Middle Class Drives Consumption

Consumption of dried fruit is driven by the emerging middle class. Consumers ranging from the young to the middle aged are increasingly well educated and eager to create a healthy lifestyle for themselves, their parents, and their children. With higher disposable incomes, they are willing to pay a premium price for products that are nutritious, healthy, or have other attributes such as medicinal, anti-aging, or slimming and beauty properties. Consumers in this group live in larger cities or industrialized regions like the Pearl River or Yangzi River deltas.

The snack food, bakery, and up-scale food service industries currently remain the major users of imported dried fruit. However, the fast growing ice-cream, confectionary, and breakfast cereal industries are expected to achieve 10–20 percent annual growth over the next few years and will likely become larger users of imported dried fruit. These sectors present excellent opportunities for the U.S. dried fruit industry.

SWOT Analysis and Recommendations for U.S. Dried Fruit Marketing in China

A SWOT analysis is useful in evaluating the Chinese market for U.S. dried fruit. The strengths of U.S. dried fruit are product quality and safety, advanced processing know-how, strong support from U.S. government agencies, and the falling U.S. dollar.

Constraints include a lack of awareness of the quality of U.S. products and specific dried fruit health benefits, consumer price sensitivity resulting from the comparably high price of U.S. products, insufficient U.S. supply, incomplete distribution channels in secondary (emerging city) markets, and competition from domestic products and those imported from other countries. A technical barrier for U.S. raisins is China's low tolerance of sulfur dioxide (100 or 400 ppm) for processed fruit. China's standard is much lower than the Codex standard (2,000 ppm) and the typical residue level for the U.S. raisin industry. Finally, U.S. products are also threatened by severe counterfeiting problems in China.

Nonetheless, there are still ample opportunities for U.S. products in the Chinese market. Chinese consumers recognize the importance of food's nutritional qualities to maintain health, and China's emerging middle-class demands healthy snack foods. Moreover, among the fast growing sectors that use dried fruits as ingredients (retail, baking, snack food, ice cream, confectionary, and breakfast cereal) demand is expected to increase. Table 1 details the SWOT analysis.

Based on this analysis, below are approaches recommended for marketing dried fruit in China:

1. Continue education of consumers and traders about U.S. product specifics and the advantages of U.S. dried fruit;
2. Increase promotion of U.S. products in fast growing sectors, e. g. retail, bakery, snack food, ice cream, confectionary, breakfast cereals;
3. Make U.S. products more price competitive;
4. If possible, match dried fruit promotion with other current consumption trends.

Table 1: SWOT Analysis of U.S. Dried Fruit in China

Strengths	Constraints
<ul style="list-style-type: none"> • U.S. products in general are regarded as good quality, safe, and healthy; • Depreciating exchange rate of U.S. dollar versus Chinese Renminbi enables a lower price for U.S. products in the price-sensitive China market; • U.S. manufacturers and exporters have more expertise compared with competitors; • Strong support from U.S. government agencies in overseas marketing and anti-counterfeiting. 	<ul style="list-style-type: none"> • Chinese consumers' general lack of knowledge of health benefits from U.S. dried fruit; • Prices of U.S. products are generally higher than the counterparts produced in competitor countries; • Price-sensitive Chinese consumers are reluctant to pay a premium price for U.S. products without knowing the specific benefits of such products; • U.S. products present vague image of USA as the country of origin, therefore weak differentiation from products produced by competitor countries; • A technical barrier exists for some U.S. dried fruit because of China's extremely low tolerance for sulfur dioxide residue.
Opportunities	Threats
<ul style="list-style-type: none"> • Chinese consumers perceive that some kinds of food are of health-supportive or medicinal functions; • Strong demand for healthy snack foods in urban area; • Emerging middle class in cities who are well-educated, pursuing a healthy lifestyle, and able to afford higher prices; • Fast growing sectors including: retail, snack food, bakery, ice cream, confectionary, and breakfast cereals are good channels for dried fruit promotion and sales. 	<ul style="list-style-type: none"> • Competition from products grown domestically or from other countries; • Severe counterfeiting problems in China.

Statistics Tables

Table 2: Production, Supply and Demand (PS&D) Table

Country	China, Peoples Republic of								
Commodity	Raisins						(HA)(MT)		
	2005	Revised		2006	Estimate		2007	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		08-2005	08-2005		08-2006	08-2006		08-2007	08-2007
Area Planted	23,680	23,680	23,680	26,780	26,780	26,780	0	0	28,670
Area Harvested	16,580	16,580	16,580	18,750	18,750	18,750	0	0	20,100
Beginning Stocks	0	0	0	0	0	0	0	0	0
Production	105,000	105,000	105,000	125,000	125,000	125,000	0	0	145,000
Imports	10,391	10,391	10,391	9,500	9,500	12,262	0	0	12,500
Total Supply	115,391	115,391	115,391	134,500	134,500	137,262	0	0	154,500
Exports	18,063	18,063	18,063	22,500	22,500	23,621	0	0	26,500
Domestic Consumption	97,328	97,328	97,328	112,000	112,000	113,641	0	0	131,000
Ending Stocks	0	0	0	0	0	0	0	0	0
Total Distribution	115,391	115,391	115,391	134,500	134,500	137,262	0	0	154,500

Table 3: China Raisin Imports by Country

(Metric Tons)				
H.S. Code: 08062000				
Country	3rd Qtr 2006	4th Qtr 2006	1st Qtr 2007	2nd Qtr 2007
United States	2,795	3,324	2,366	2,217
Turkey	235	280	20	280
Australia	1	2	0	1
Kazakhstan	0	18	14	0
Kyrgyzstan	2	19	0	0
South Africa	40	40	80	0
Japan	0	0	17	0
Pakistan	0	20	0	0
Others	0	1	0	0
Total	3,074	3,703	2,496	2,499

Table 4: China Raisin Exports by Country

(Metric Tons)				
H.S. Code: 08062000				
Country	3rd Qtr 2006	4th Qtr 2006	1st Qtr 2007	2nd Qtr 2007
Japan	2,624	2,659	2,127	2,710
Poland	700	1,020	140	218
Lithuania	100	352	55	273
Canada	348	324	861	145
Pakistan	0	311	50	683
Saudi Arabia	0	278	225	226
Czech Republic	199	243	100	100
United Kingdom	249	211	251	173
Germany	557	177	0	19
Australia	0	174	100	80
Belgium	60	120	80	120
Estonia	120	120	120	100
India	22	114	157	215
Taiwan	0	110	98	98
Yemen	38	108	0	0
Others	564	690	990	907
Total	5,581	7,012	5,354	6,064